

Spirit AeroSystems Holdings, Inc.
Form 10-Q
May 01, 2019
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
Form 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 28, 2019

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-33160
Spirit AeroSystems Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware 20-2436320
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3801 South Oliver
Wichita, Kansas 67210
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:
(316) 526-9000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
--	---	--	---	---

Edgar Filing: Spirit AeroSystems Holdings, Inc. - Form 10-Q

If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 24, 2019, the registrant had 103,450,877 shares of class A common stock, \$0.01 par value per share, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

	Page
<u>Item 1. Financial Statements (unaudited)</u>	<u>3</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
<u>Item 4. Controls and Procedures</u>	<u>40</u>

PART II — OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>41</u>
<u>Item 1A. Risk Factors</u>	<u>41</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
<u>Item 6. Exhibits</u>	<u>42</u>
<u>Signatures</u>	<u>44</u>

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended		
	March 28, 2019	March 29, 2018	
	(\$ in millions, except per share data)		
Revenue	\$ 1,967.8	\$ 1,736.1	
Operating costs and expenses			
Cost of sales	1,658.3	1,511.0	
Selling, general and administrative	63.6	56.2	
Research and development	12.9	9.4	
Total operating costs and expenses	1,734.8	1,576.6	
Operating income	233.0	159.5	
Interest expense and financing fee amortization	(18.8) (11.3)
Other (expense) income, net	(11.0) 4.1)
Income before income taxes and equity in net income of affiliate	203.2	152.3	
Income tax provision	(40.1) (27.5)
Income before equity in net income of affiliate	163.1	124.8	
Equity in net income of affiliate	—	0.6	
Net income	\$ 163.1	\$ 125.4	
Earnings per share			
Basic	\$ 1.57	\$ 1.11	
Diluted	\$ 1.55	\$ 1.10	

See notes to condensed consolidated financial statements (unaudited)

Table of Contents

Spirit AeroSystems Holdings, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (unaudited)

	For the Three Months Ended	
	March 28, 2019	March 29, 2018
	(\$ in millions)	
Net income	\$163.1	\$125.4
Changes in other comprehensive income (loss), net of tax:		
Pension, SERP, and Retiree medical adjustments, net of tax effect of \$0.1 and \$0.2 for the three months ended, respectively	(0.3)	(0.6)
Unrealized foreign exchange loss on intercompany loan, net of tax effect of (\$0.2) and (\$0.4) for three months ended, respectively	0.9	1.6
Foreign currency translation adjustments	9.4	13.6
Total other comprehensive income	10.0	14.6
Total comprehensive income	\$173.1	\$140.0

See notes to condensed consolidated financial statements (unaudited)

Table of ContentsSpirit AeroSystems Holdings, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	March 28, December 31, 2019 2018	
	(\$ in millions)	
Assets		
Cash and cash equivalents	\$1,228.4	\$ 773.6
Restricted cash	0.3	0.3
Accounts receivable, net	618.9	545.1
Contract assets, short-term	556.9	469.4
Inventory, net	991.6	1,012.6
Other current assets	31.3	48.3
Total current assets	3,427.4	2,849.3
Property, plant and equipment, net	2,183.7	2,167.6
Right of Use assets	51.3	—
Contract assets, long-term	25.3	54.1
Pension assets	333.9	326.7
Other assets	276.1	288.2
Total assets	\$6,297.7	\$ 5,685.9
Liabilities		
Accounts payable	\$1,072.8	\$ 902.6
Accrued expenses	329.0	313.1
Profit sharing	20.4	68.3
Current portion of long-term debt	32.4	31.4
Operating lease liabilities, short-term	5.6	—
Advance payments, short-term	19.8	2.2
Contract liabilities, short-term	148.9	157.9
Forward loss provision, short-term	15.2	12.4
Deferred revenue and other deferred credits, short-term	19.8	20.0
Deferred grant income liability - current	12.6	16.0
Other current liabilities	79.8	58.2
Total current liabilities	1,756.3	1,582.1
Long-term debt	2,214.9	1,864.0
Operating lease liabilities, long-term	45.7	—
Advance payments, long-term	212.1	231.9
Pension/OPEB obligation	33.8	34.6
Contract liabilities, long-term	383.5	369.8
Forward loss provision, long-term	156.5	170.6
Deferred revenue and other deferred credits	42.5	31.2
Deferred grant income liability - non-current	29.6	28.0
Other liabilities	101.7	135.6
Stockholders' Equity		
Preferred stock, par value \$0.01, 10,000,000 shares authorized, no shares issued	—	—
Common stock, Class A par value \$0.01, 200,000,000 shares authorized, 104,876,827 and 105,461,817 shares issued and outstanding, respectively	1.0	1.1
Additional paid-in capital	1,098.6	1,100.9
Accumulated other comprehensive loss	(194.9)	(196.6)
Retained earnings	2,871.9	2,713.2

Edgar Filing: Spirit AeroSystems Holdings, Inc. - Form 10-Q

Treasury stock, at cost (41,515,847 and 40,719,438 shares, respectively)	(2,456.0)	(2,381.0)
Total stockholders' equity	1,320.6	1,237.6
Noncontrolling interest	0.5	0.5
Total equity	1,321.1	1,238.1
Total liabilities and equity	\$6,297.7	\$ 5,685.9
See notes to condensed consolidated financial statements (unaudited)		

5

Table of Contents

Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity

(unaudited)

	Common Stock		Additional	Treasury	Accumulated	Retained	
	Shares	Amount	Paid-in	Stock	Other	Earnings	Total
			Capital		Comprehensive		
					Loss		
	(\$ in millions, except share data)						
Balance — December 31, 2018	805,461,817	\$ 1.1	\$ 1,100.9	\$(2,381.0)	\$ (196.6)	\$ 2,713.2	\$ 1,237.6
Net income	—	—	—	—	—	163.1	163.1
Adoption of ASU 2018-02	—	—	—	—	(8.3)	8.3	—
Dividends Declared ^(a)	—	—	—	—	—	(12.7)	(12.7)
Employee equity awards	351,459	—	7.7	—	—	—	7.7
Stock forfeitures	(27,604)	—	—	—	—	—	—
Net shares settled	(112,436)	—	(10.0)	—	—	—	(10.0)
SERP shares issued	—	—	—	—	—	—	—
Treasury shares	(796,409)	(0.1)	—	(75.0)	—	—	(75.1)
Other comprehensive gain	—	—	—	—	10.0	—	10.0
Balance — March 28, 2019	104,876,827	\$ 1.0	\$ 1,098.6	\$(2,456.0)	\$ (194.9)	\$ 2,871.9	\$ 1,320.6

	Common Stock		Additional	Treasury	Accumulated	Retained	
	Shares	Amount	Paid-in	Stock	Other	Earnings	Total
			Capital		Comprehensive		
					Loss		
	(\$ in millions, except share data)						
Balance — December 31, 2017	114,447,605	\$ 1.1	\$ 1,086.9	\$(1,580.9)	\$ (128.5)	\$ 2,422.4	\$ 1,801.0
Net income	—	—	—	—	—	125.4	125.4
Adoption of ASC 606	—	—	—	—	—	(276.3)	(276.3)
Dividends Declared ^(a)	—	—	—	—	—	(11.5)	(11.5)
Employee equity awards	380,000	—	7.1	—	—	—	7.1
Stock forfeitures	(16,336)	—	—	—	—	—	—
Net shares settled	(141,595)	—	(12.7)	—	—	—	(12.7)
SERP shares issued	—	—	—	—	—	—	—
Treasury shares	(866,113)	—	—	(75.1)	—	—	(75.1)
Other comprehensive gain	—	—	—	—	14.6	—	14.6
Balance — March 29, 2018	113,803,561	\$ 1.1	\$ 1,081.3	\$(1,656.0)	\$ (113.9)	\$ 2,260.0	\$ 1,572.5

(a) Cash dividends declared per common share were \$0.12 for the three months ended March 28, 2019 and \$0.10 for the three months ended March 29, 2018.

Table of Contents

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Three Months Ended	
	March 28, 2019	March 29, 2018
	(\$ in millions)	
Operating activities		
Net income	\$ 163.1	\$ 125.4
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	60.5	56.8
Amortization of deferred financing fees	0.8	0.8
Accretion of customer supply agreement	1.1	1.2
Employee stock compensation expense	7.7	7.1
Loss (Gain) from derivative instruments	9.6	(1.7)
Gain from foreign currency transactions	(0.1)	(1.6)
Gain on disposition of assets	(0.1)	(0.2)
Deferred taxes	8.1	(1.2)
Pension and other post-retirement benefits, net	(6.4)	(8.7)
Grant liability amortization	(5.7)	(5.1)
Equity in net income of affiliate	—	(0.6)
Forward loss provision	(11.3)	(36.9)
Changes in assets and liabilities		
Accounts receivable	(68.8)	(96.6)
Inventory, net	23.5	45.3
Contract assets	(57.6)	(70.0)
Accounts payable and accrued liabilities	129.9	177.8
Profit sharing/deferred compensation	(48.0)	(93.1)
Advance payments	(2.2)	(25.3)
Income taxes receivable/payable	29.4	25.9
Contract liabilities	4.9	77.1
Deferred revenue and other deferred credits	11.6	2.6
Other	(7.8)	(12.4)
Net cash provided by operating activities	242.2	166.6
Investing activities		
Purchase of property, plant and equipment	(40.8)	(48.2)
Other	0.1	0.2
Net cash used in investing activities	(40.7)	(48.0)
Financing activities		
Proceeds from issuance of debt	250.0	—
Proceeds from revolving credit facility	100.0	—
Principal payments of debt	(2.6)	(1.7)
Payments on term loan	—	(6.2)
Taxes paid related to net share settlement awards	(10.0)	(12.7)
Purchase of treasury stock	(75.0)	(73.8)
Dividends paid	(12.7)	(11.5)
Net cash provided by (used in) financing activities	249.7	(105.9)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	—
Net increase in cash, cash equivalents, and restricted cash for the period	450.9	12.7

Edgar Filing: Spirit AeroSystems Holdings, Inc. - Form 10-Q

Cash, cash equivalents, and restricted cash, beginning of period	794.1	445.5
Cash, cash equivalents, and restricted cash, end of period	\$1,245.0	\$ 458.2

Reconciliation of Cash, Cash Equivalents, and Restricted Cash:

	For the Three Months Ended	
	March 28, 2019	March 29, 2018
Cash and cash equivalents, beginning of the period	\$773.6	\$423.3
Restricted cash, short-term, beginning of the period	0.3	2.2
Restricted cash, long-term, beginning of the period	20.2	20.0
Cash, cash equivalents, and restricted cash, beginning of the period	\$794.1	\$445.5
Cash and cash equivalents, end of the period	\$1,228.4	\$437.9
Restricted cash, short-term, end of the period	0.3	0.4
Restricted cash, long-term, end of the period	16.3	19.9
Cash, cash equivalents, and restricted cash, end of the period	\$1,245.0	\$458.2
See notes to condensed consolidated financial statements (unaudited)		

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

1. Organization and Basis of Interim Presentation

Spirit AeroSystems Holdings, Inc. (“Holdings” or the “Company”) provides manufacturing and design expertise in a wide range of fuselage, propulsion, and wing products and services for aircraft original equipment manufacturers (“OEM”) and operators through its subsidiary, Spirit AeroSystems, Inc. (“Spirit”). The Company's headquarters are in Wichita, Kansas, with manufacturing and assembly facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Wichita, Kansas; Kinston, North Carolina; Subang, Malaysia; and Saint-Nazaire, France.

The accompanying unaudited interim condensed consolidated financial statements include the Company’s financial statements and the financial statements of its majority-owned or controlled subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X. The Company’s fiscal quarters are 13 weeks in length. Since the Company’s fiscal year ends on December 31, the number of days in the Company’s first and fourth quarters varies slightly from year to year. All intercompany balances and transactions have been eliminated in consolidation.

As part of the monthly consolidation process, the Company’s international entities that have functional currencies other than the U.S. dollar are translated to U.S. dollars using the end-of-month translation rate for balance sheet accounts and average period currency translation rates for revenue and income accounts. The U.K. and Malaysian subsidiaries use the British pound as their functional currency. All other foreign subsidiaries and branches use the U.S. dollar as their functional currency.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments and elimination of intercompany balances and transactions) considered necessary to fairly present the results of operations for the interim period. The results of operations for the three months ended March 28, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events through the date the financial statements were issued. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in the Company’s 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 8, 2019 (the “2018 Form 10-K”).

2. Adoption of New Accounting Standards

Adoption of ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). This update requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASU 2016-02 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2018. The Company adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective transition approach, with the cumulative effect of the initial application recognized at the date of adoption. Under this effective date method, financial results reported prior to the first quarter of 2019 are unchanged. The Company also chose to adopt the package of practical expedients.

The Company has reviewed all of its current active leases and has implemented the necessary processes and systems to comply with the requirements of ASU 2016-02. Upon adoption of ASU 2016-02, the Company recognized a Right of Use ("ROU") asset on its books for the net present value of all of its active leases with terms greater than 12 months, with an offsetting lease liability. The ROU asset and corresponding lease liability will be amortized over the course of the lease term, which includes all options that the Company expects it will exercise.

The Consolidated Balance Sheet impact of the adoption of the ASU 2016-02 was an increase to both assets and liabilities of \$52.7M. The adoption of ASU 2016-02 did not have any material impact to net income or cash flows.

Adoption of ASU 2018-02

In February 2018, the FASB issued ASU No. 2018-02 ("ASU 2018-02"), Income Statement - Reporting Comprehensive Income (Topic 220). The guidance in ASU 2018-02 allows an entity to elect to reclassify the stranded tax effects related to the Tax Cuts

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

and Jobs Act of 2017 (the “TCJA”) from accumulated other comprehensive income into retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. As a result of the adoption of ASU 2018-02 in the first quarter of 2019, the Company reclassified \$8.3 from accumulated other comprehensive income into retained earnings on the condensed consolidated balance sheet.

3. New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans (“ASU 2018-14”), which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. Certain disclosures in ASU 2018-13 are required to be applied on a retrospective basis and others on a prospective basis. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit losses (Topic 326) (“ASU 2016-13”), which requires the immediate recognition of management’s estimates of current expected credit losses. ASU 2016-13 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2019. Early adoption is permitted after fiscal years beginning December 15, 2018. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

4. Changes in Estimates

The Company has a periodic forecasting process in which management assesses the progress and performance of the Company’s programs. This process requires management to review each program’s progress by evaluating the program schedule, changes to identified risks and opportunities, changes to estimated revenues and costs for the accounting contracts (and options if applicable), and any outstanding contract matters. Risks and opportunities include but are not limited to management’s judgment about the cost associated with the Company’s ability to achieve the schedule, technical requirements (e.g., a newly-developed product versus a mature product), and any other program requirements. Due to the span of years it may take to completely satisfy the performance obligations for the accounting contracts (and options, if any) and the scope and nature of the work required to be performed on those contracts, the estimation of total revenue and costs is subject to many variables and, accordingly, is subject to change based upon judgment. When adjustments in estimated total consideration or estimated total cost are required, any changes from prior estimates for fully satisfied performance obligations are recognized in the current period as a cumulative catch-up adjustment for the inception-to-date effect of such changes. Cumulative catch-up adjustments are driven by several factors including production efficiencies, assumed rate of production, the rate of overhead absorption, changes to scope of work, and contract modifications. For the first quarter of 2018, forward losses

recorded relate primarily to the impact of the adoption of ASU 2017-07 related to pension.

Changes in estimates are summarized below:

9

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

	For the Three Months Ended	
	March 29, 2019	March 29, 2018
Changes in Estimates		
(Unfavorable) Favorable Cumulative Catch-up Adjustment by Segment		
Fuselage	\$(1.2)	\$(4.9)
Propulsion	(2.8)	(0.6)
Wing	(0.2)	1.4
Total (Unfavorable) Favorable Cumulative Catch-up Adjustment	\$(4.2)	\$(4.1)
(Forward Loss) and Changes in Estimates on Loss Programs by Segment		
Fuselage	\$3.7	\$(11.6)
Propulsion	0.5	(3.4)
Wing	0.5	(3.5)
Total (Forward Loss) and Changes in Estimates on Loss Programs	\$4.7	\$(18.5)
Total Change in Estimate	\$0.5	\$(22.6)
EPS Impact (diluted per share based upon statutory rates)	\$—	\$(0.16)

5. Accounts Receivable, net

Accounts receivable represent the Company's unconditional rights to consideration, subject to the payment terms of the contract, for which only the passage of time is required before payment. Unbilled receivables are reflected under contract assets on the balance sheet. The Company determines an allowance for doubtful accounts based on a review of outstanding receivables that are charged off against the allowance after the potential for recovery is considered remote.

Accounts receivable, net consists of the following:

	March 28, December 31,	
	2019	2018
Trade receivables	\$ 579.9	\$ 527.9
Other	39.4	17.9
Less: allowance for doubtful accounts	(0.4)	(0.7)
Accounts receivable, net	\$ 618.9	\$ 545.1

In October 2017, the Company entered into an agreement (the "Receivable Sales Agreement"), to sell, on a revolving basis, certain trade accounts receivable balances to a third party financial institution. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being de-recognized from the balance sheet. The Receivable Sales Agreement provides for the continuing sale of certain receivables on a revolving basis until terminated by either party. The receivables under the Receivable Sales Agreement are sold without recourse to the third party financial institution. During 2019, \$1,453.8 of accounts receivable have been sold via this arrangement. The proceeds from these sales of receivables are included in cash from operating activities in the Consolidated Statement of Cash Flows. The recorded net loss on sale of receivables is \$4.6 for the three months ended March 28, 2019 and is included in Other income and expense. See Note 21, Other (Expense) Income, net.

6. Contract Assets and Contract Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets, current are those for which performance obligations are expected to be fully satisfied within 12 months of contract origination. Contract assets, long-term are expected to be fully satisfied over periods greater than 12 months from contract origination. No impairments to contract assets were recorded for the period ended March 28, 2019.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Contract liabilities are established for cash received that is in excess of revenues recognized and are contingent upon the satisfaction of performance obligations. Contract liabilities primarily consist of cash received on contracts for which revenue has been deferred since the receipts are in excess of transaction price resulting from the allocation of consideration based on relative standalone selling price to future units (including those under option that the Company believes are likely to be exercised) with prices that are lower than standalone selling price. These contract liabilities will be recognized earlier if the options are not fully exercised, or immediately, if the contract is terminated prior to the options being fully exercised.

	December 31, 2018	March 28, 2019	Change
Contract assets	\$ 523.5	\$582.2	\$ 58.7
Contract liabilities	(527.7)	(532.4)	(4.7)
Net contract assets (liabilities)	\$ (4.2)	\$49.8	\$ 54.0

The increase in contract assets reflects the net impact of additional revenue recognized in excess of billed revenues during the period. The increase in contract liabilities reflects the net impact of additional deferred revenues recorded in excess of revenue recognized during the period. For the period ended March 28, 2019, the Company recognized \$19.4 of revenue that was included in the contract liability balance at the beginning of the period.

7. Revenue Disaggregation and Outstanding Performance Obligations

Disaggregation of Revenue

The Company disaggregates revenue based on the method of measuring satisfaction of the performance obligation either over time or at a point in time, based upon major customer, and based upon the location where products and services are transferred to the customer. Additionally, the Company's principal operating segments and related revenue are noted in Note 22, Segment Information.

The following table shows disaggregated revenues for the three months ended March 28, 2019 and March 29, 2018:

Revenue	For the Three Months Ended	
	March 28, 2019	March 29, 2018
Contracts with performance obligations satisfied over time	\$1,479.7	\$1,322.5
Contracts with performance obligations satisfied at a point in time	488.1	413.6
Total Revenue	\$1,967.8	\$1,736.1

The following table disaggregates revenue by major customer:

Customer	For the Three Months Ended	
	March 28, 2019	March 29, 2018
Boeing	\$1,548.4	\$1,340.4
Airbus	329.8	314.5
Other	89.6	81.2

Total Revenue \$1,967.8\$1,736.1

The following table disaggregates revenue based upon the location where control of products are transferred to the customer:

11

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Location	For the Three Months Ended	
	March 28, 2019	March 29, 2018
United States	\$1,627.9	\$1,400.9
International		
United Kingdom	209.5	198.5
Other	130.4	136.7
Total International	339.9	335.2
Total Revenue	\$1,967.8	\$1,736.1

Remaining Performance Obligations

Unsatisfied, or partially unsatisfied, performance obligations that are expected to be recognized in the future are noted in the table below. The Company expects options to be exercised in addition to the amounts presented below:

	Remaining in 2019	2020	2021	2022 and After
Unsatisfied performance obligations	\$ 5,043.7	\$ 6,336.1	\$ 4,296.9	\$ 619.2

8. Inventory

Inventory consists of raw materials used in the production process, work-in-process, which is direct material, direct labor, overhead and purchases, and capitalized preproduction costs. Raw materials are stated at lower of cost (principally on an actual or average cost basis) or net realizable value. Capitalized pre-production costs include certain contract costs, including applicable overhead, incurred before a product is manufactured on a recurring basis. These costs are typically amortized over a period that is consistent with the satisfaction of the underlying performance obligations to which these relate.

	March 28, December 31, 2019 2018	
Raw materials	\$ 248.3	\$ 240.4
Work-in-process ⁽¹⁾	699.5	727.8
Finished goods	9.1	7.1
Product inventory	956.9	975.3
Capitalized pre-production	34.7	37.3
Total inventory, net	\$ 991.6	\$ 1,012.6

Product inventory, summarized in the table above, is shown net of valuation reserves of \$50.9 and \$55.2 as of March 28, 2019 and December 31, 2018, respectively. For contract blocks that have not closed, the following non-product inventory amounts were included in the summarized inventory table above.

(1) Work-in-process inventory includes direct labor, direct material, overhead and purchases on contracts for which revenue is recognized at a point in time as well as sub-assembly parts that have not been issued to production on

contracts for which revenue is recognized using the input method. For the periods ended March 28, 2019 and December 31, 2018, work-in-process inventory includes \$149.1 and \$151.6, respectively, of costs incurred in anticipation of specific contracts and no impairments were recorded in the period.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

9. Property, Plant and Equipment, net

Property, plant and equipment, net consists of the following:

	March 28, 2019	December 31, 2018
Land	\$ 15.2	\$ 15.0
Buildings (including improvements)	831.6	822.7
Machinery and equipment	1,754.3	1,697.0
Tooling	1,039.1	1,032.3
Capitalized software	272.4	269.2
Construction-in-progress	226.9	227.8
Total	4,139.5	4,064.0
Less: accumulated depreciation	(1,955.8)	(1,896.4)
Property, plant and equipment, net	\$ 2,183.7	\$ 2,167.6

Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of \$35.6 and \$32.8 for the three months ended March 28, 2019 and March 29, 2018, respectively.

The Company capitalizes certain costs, such as software coding, installation, and testing, that are incurred to purchase or to create and implement internal-use computer software. Depreciation expense related to capitalized software was \$4.3 and \$4.4 for the three months ended March 28, 2019 and March 29, 2018, respectively.

The Company reviews capital and amortizing intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluated its long-lived assets at its locations and determined no impairment was necessary for the period ended March 28, 2019.

10. Leases

The Company determines if an arrangement is a lease at the inception of a signed agreement. Operating leases are included in right-of-use ("ROU") assets (long-term), short-term operating lease liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheet. Finance leases are included in Property, Plant and Equipment, current maturities of long-term debt, and long-term debt.

ROU assets represent the right of the Company to use an underlying asset for the length of the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

To determine the present value of lease payments, the Company uses its estimated incremental borrowing rate or the implicit rate, if readily determinable. The estimated incremental borrowing rate is based on information available at the lease commencement date, including any recent debt issuances and publicly available data for instruments with similar characteristics. The ROU asset also includes any lease payments made and excludes lease incentives.

The Company's lease terms may include options to extend or terminate the lease and, when it is reasonably certain that an option will be exercised, those options are included in the net present value calculation. Leases with a term of 12 months or less, which are primarily related to automobiles and manufacturing equipment, are not recorded on the balance sheet. The aggregate amount of lease cost for leases with a term of 12 months or less is not material.

The Company has lease agreements that include lease and non-lease components, which are generally accounted for separately. For certain leases (primarily related to IT equipment), the Company does account for the lease and non-lease components as a single lease component. A portfolio approach is applied to effectively account for the ROU assets and liabilities for the specific leases. The Company does not have any material leases containing variable lease payments or residual value guarantees. The Company also does not have any material subleases.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

The Company currently has operating and finance leases for items such as manufacturing facilities, corporate offices, manufacturing equipment, transportation equipment, and vehicles. The Company's active leases have remaining lease terms that range between less than one year to 18 years, some of which include options to extend the leases for up to 30 years, and some of which include options to terminate the leases within one year.

Comparable information presented in the financial statements for periods prior to January 1, 2019 represent legacy GAAP treatment of leases. For more information on the effective date and transition approach for implementation, see Note 2, Adoption of New Accounting Standards.

For the three months ended March 28, 2019, total net lease cost was \$4.4. This was comprised of \$2.2 of operating lease costs, \$1.8 amortization of assets related to finance leases, and \$0.4 interest on finance lease liabilities.

Supplemental cash flow information related to leases was as follows:

	For the Three Months Ended March 28, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 2.2
Operating cash flows from finance leases	\$ 0.4
Financing cash flows from finance leases	\$ 1.8

ROU assets obtained in exchange for lease obligations:

Operating leases	\$ 0.1
Finance Leases	\$ —

Supplemental balance sheet information related to leases:

March 28,
2019

Finance leases:

Property and equipment, gross	\$ 59.0
Accumulated amortization	(12.3)
Property and equipment, net	\$ 46.7

The weighted average remaining lease term as of March 28, 2019 for operating and finance leases was 10.8 years and 5.4 years, respectively. The weighted average discount rate as of March 28, 2019 for operating and finance leases was 5.6% and 4.2%, respectively. See Note 15, Debt, for current and non-current finance lease obligations.

As of March 28, 2019, remaining maturities of lease liabilities were as follows:

	2019	2020	2021	2022	2023	2024 and thereafter	Total Lease Payments	Less: Imputed Interest	Total Lease Obligations
Operating Leases	\$ 6.3	\$ 7.9	\$ 7.2	\$ 6.9	\$ 5.8	\$ 35.0	\$ 69.1	\$(17.8)	\$ 51.3
Financing Leases	\$ 7.3	\$ 9.7	\$ 9.7	\$ 9.0	\$ 7.5	\$ 5.1	\$ 48.3	\$(3.7)	\$ 44.6

As of March 28, 2019, the Company had additional operating and financing lease commitments that have not yet commenced of approximately \$3.0 and \$168.0 for manufacturing equipment and facilities which are in various phases of construction or customization for the Company's ultimate use, with lease terms between 3 and 15 years. The Company's involvement in the construction and design process for these assets is generally limited to project management.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

11. Other Assets

Other assets are summarized as follows:

	March 28, December 31,	
	2019	2018
Intangible assets		
Patents	\$ 2.0	\$ 2.0
Favorable leasehold interests	6.2	6.2
Total intangible assets	8.2	8.2
Less: Accumulated amortization - patents	(1.9)	(1.9)
Accumulated amortization - favorable leasehold interest	(5.0)	(4.9)
Intangible assets, net	1.3	1.4
Deferred financing		
Deferred financing costs	41.7	41.7
Less: Accumulated amortization - deferred financing costs	(35.9)	(35.6)
Deferred financing costs, net	5.8	6.1
Other		
Goodwill - Europe	2.4	2.4
Supply agreements ⁽¹⁾	14.3	14.6
Restricted cash - collateral requirements	16.3	20.2
Deferred Tax Asset - non-current	198.8	205.0
Other	37.2	38.5
Total	\$ 276.1	\$ 288.2

(1) Certain payments accounted for as consideration paid by the Company to a customer being amortized as reductions to net revenues.

12. Advance Payments

Advances on the B787 Program. Boeing has made advance payments to Spirit under the B787 Supply Agreement, that are required to be repaid to Boeing by way of offset against the purchase price for future shipset deliveries. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing. On April 8, 2014, the Company signed a memorandum of agreement with Boeing that suspended advance repayments related to the B787 program for a period of twelve months beginning April 1, 2014. Repayment recommenced on April 1, 2015, and any repayments that otherwise would have become due during such twelve-month period will offset the purchase price for shipsets 1,001 through 1,120. On December 21, 2018, the Company signed the 2018 MOA with Boeing that again suspended the advance repayments beginning with line unit 818. The advance repayments will resume at a lower rate of \$450,319 per shipset at line number 1135 and continue through line number 1605.

In the event Boeing does not take delivery of a sufficient number of shipsets to repay the full amount of advances prior to the termination of the B787 program or the B787 Supply Agreement, any advances not then repaid will be applied against any outstanding payments then due by Boeing to us, and any remaining balance will be repaid in

annual installments of \$42.0 due on December 15th of each year until the advance payments have been fully recovered by Boeing. As of March 28, 2019, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately \$231.9.

13. Fair Value Measurements

The FASB's authoritative guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an

15

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance discloses three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Observable inputs, such as current and forward interest rates and foreign exchange rates, are used in determining the fair value of the interest rate swaps and foreign currency hedge contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company's long-term debt includes a senior unsecured term loan and senior unsecured notes. The estimated fair value of the Company's debt obligations is based on the quoted market prices for such obligations or the historical default rate for debt with similar credit ratings. The following table presents the carrying amount and estimated fair value of long-term debt:

	March 28, 2019		December 31, 2018		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Senior unsecured term loan A (including current portion)	\$454.7	\$450.8	(2)\$204.7	\$197.8	(2)
2018 Revolver	100.0	100.0	(2)—	—	(2)
Senior unsecured notes due 2021	298.6	296.9	(1)298.5	292.9	(1)
Senior unsecured notes due 2023	298.0	303.6	(1)297.9	297.5	(1)
Senior unsecured notes due 2026	297.6	286.6	(1)297.5	274.5	(1)
Senior unsecured notes due 2028	693.6	696.6	(1)693.5	663.0	(1)
Total	\$2,142.5	\$2,134.5	\$1,792.1	\$1,725.7	

(1)Level 1 Fair Value hierarchy

(2)Level 2 Fair Value hierarchy

14. Derivative and Hedging Activities

The Company has historically entered into interest rate swap agreements to reduce its exposure to the variable rate portion of its long-term debt. The Company also considers counterparty credit risk and its own credit risk in its

determination of all estimated fair values.

The Company has historically entered into derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the 2018 Credit Agreement (as defined below) or termination event, the non-defaulting party has the right to offset any amounts payable against any obligation of the defaulting party under the same counterparty agreement. See Note 15, Debt, for more information.

Interest Rate Swaps

16

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

On March 15, 2017, the Company entered into an interest rate swap agreement, with an effective date of March 31, 2017. The swaps have a notional value of \$250.0 and fix the variable portion of the Company's floating rate debt at 1.815%. The fair value of the interest rate swaps, using Level 2 inputs, was an asset of \$1.4 and \$2.2 as of March 28, 2019 and December 31, 2018, respectively. For the three months ended March 28, 2019, the Company recorded a loss related to swap activity of \$0.4.

Foreign Currency Forward Contract

On May 1, 2018, the Company and its wholly-owned subsidiary Spirit AeroSystems Belgium Holdings BVBA ("Spirit Belgium") entered into a definitive agreement (as amended, the "Purchase Agreement") with certain private sellers pursuant to which Spirit Belgium will purchase all of the issued and outstanding equity of S.R.I.F. N.V., the parent company of Asco Industries N.V. ("Asco") for \$604.0 in cash, subject to certain customary closing adjustments, including foreign currency adjustments. A significant portion of the purchase price in the Asco acquisition is payable in Euros and, accordingly, movements in the Euro exchange rate could cause the purchase price to fluctuate, affecting our cash flows.

To minimize the risk of currency exchange rate movements on the Company's cash flows, the Company entered into foreign currency forward contracts; however the Company has not designated these forward contracts as a hedge and has not applied hedge accounting to them. During the second quarter of 2018, to reduce the Euro exchange rate exposure of the purchase of Asco, the Company entered into a foreign currency forward contract in the amount of \$580.0; this foreign currency forward contract was net settled in the third quarter of 2018 and a new contract was entered during the fourth quarter of 2018 in the amount of \$568.3; this contract was net settled and a third contract was entered into with a settlement date in the first quarter of 2019 in the amount of \$547.7. The third contract was settled at the end of the first quarter of 2019 and a fourth contract was entered into in the amount of \$542.1 with a settlement date in the second quarter of 2019. The fair value of the foreign currency forward contract, using Level 2 inputs, was a liability of \$2.9 as of March 28, 2019. The Company recorded a net loss related to foreign currency forward contract activity of \$14.6 for the three months ended March 28, 2019.

15. Debt

Total debt shown on the balance sheet is comprised of the following:

	March 28, 2019		December 31, 2018	
	Current	Noncurrent	Current	Noncurrent
Senior unsecured term loan A	\$22.7	\$ 432.0	\$22.7	\$ 182.0
Revolver	—	100.0	—	—
Floating Rate Notes	—	298.6	—	298.5
Senior notes due 2023	—	298.0	—	297.9
Senior notes due 2026	—	297.6	—	297.5
Senior notes due 2028	—	693.6	—	693.5
Present value of capital lease obligations	8.1	36.5	7.1	35.3
Other	1.6	58.6	1.6	59.3
Total	\$32.4	\$ 2,214.9	\$31.4	\$ 1,864.0

2018 Credit Agreement

On July 12, 2018, the Company entered into a \$1,260.0 senior unsecured Second Amended and Restated Credit Agreement among Spirit, as borrower, the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein (the “2018 Credit Agreement”), consisting of a \$800.0 revolving credit facility (the “2018 Revolver”), a \$206.0 term loan A facility (the “2018 Term Loan”) and a \$250.0 delayed draw term loan facility (the “Delayed Draw Term Loan”).

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Each of the 2018 Revolver, the 2018 Term Loan and the Delayed Draw Term Loan matures July 12, 2023, and bears interest, at Spirit's option, at either LIBOR plus 1.375% or a defined "base rate" plus 0.375%, subject to adjustment to between LIBOR plus 1.125% and LIBOR plus 1.875% (or between base rate plus 0.125% and base rate plus 0.875%, as applicable) based on changes to Spirit's senior unsecured debt rating provided by Standard & Poor's Financial Services LLC and/or Moody's Investors Service, Inc. The principal obligations under the 2018 Term Loan are to be repaid in equal quarterly installments of \$2.6, commencing with the fiscal quarter ending March 31, 2019, and with the balance due at maturity of the 2018 Term Loan. The principal obligations under the Delayed Draw Term Loan are to be repaid in equal quarterly installments of 1.25% of the outstanding principal amount of the Delayed Draw Term Loan as of March 31, 2019, subject to adjustments for any extension of the availability period of the Delayed Draw Term Loan, with the balance due at maturity of the Delayed Draw Term Loan.

In March 2019 the Company drew \$250.0 on the Delayed Draw Term Loan and \$100.0 on the 2018 Revolver. The 2018 Revolver had an unutilized amount of \$700.0 as of March 28, 2019.

The 2018 Credit Agreement also contains an accordion feature that provides Spirit with the option to increase the 2018 Revolver commitments and/or institute one or more additional term loans by an amount not to exceed \$750.0 in the aggregate, subject to the satisfaction of certain conditions and the participation of the lenders. The 2018 Credit Agreement contains customary affirmative and negative covenants, including certain financial covenants that are tested on a quarterly basis. Spirit's obligations under the 2018 Credit Agreement may be accelerated upon an event of default, which includes non-payment of principal or interest, material breach of a representation or warranty, material breach of a covenant, cross-default to material indebtedness, material judgments, ERISA events, change in control, bankruptcy and invalidity of the guarantee of Spirit's obligations under the 2018 Credit Agreement made by the Company.

As of March 28, 2019, the outstanding balance of the 2018 Term Loan was \$456.3 and the carrying value was \$454.7.

Senior Notes

Floating Rate, 2023, and 2028 Notes

On May 30, 2018, Spirit entered into an Indenture (the "Indenture") by and among Spirit, the Company and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee in connection with Spirit's offering of \$300.0 aggregate principal amount of its Senior Floating Rate Notes due 2021 (the "Floating Rate Notes"), \$300.0 aggregate principal amount of its 3.950% Senior Notes due 2023 (the "2023 Notes") and \$700.0 aggregate principal amount of its 4.600% Senior Notes due 2028 (the "2028 Notes" and, together with the Floating Rate Notes and the 2023 Notes, the "New Notes"). The Company guaranteed Spirit's obligations under the New Notes on a senior unsecured basis (the "Guarantees").

The Floating Rate Notes bear interest at a rate per annum equal to three-month LIBOR, as determined in the case of the initial interest period, on May 25, 2018, and thereafter at the beginning of each quarterly period as described herein, plus 80 basis points and mature on June 15, 2021. Interest on the Floating Rate Notes is payable on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2018. The 2023 Notes bear interest at a rate of 3.950% per annum and mature on June 15, 2023. The 2028 Notes bear interest at a rate of 4.600% per annum and mature on June 15, 2028. Interest on the 2023 Notes and 2028 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2018. The outstanding balance of the Floating Rate Notes,

2023 Notes, and 2028 Notes was \$300.0, \$300.0, and \$700.0 as of March 28, 2019, respectively. The carrying value of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$298.6, \$298.0, and \$693.6 as of March 28, 2019, respectively.

The New Notes and the Guarantees have been registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to a Registration Statement on Form S-3 (No. 333-211423) previously filed with the SEC under the Securities Act.

The Indenture contains covenants that limit Spirit’s, the Company’s and certain of the Company’s subsidiaries’ ability, subject to certain exceptions and qualifications, to create liens without granting equal and ratable liens to the holders of the New Notes and enter into sale and leaseback transactions. These covenants are subject to a number of qualifications and limitations. In addition, the Indenture provides for customary events of default.

2026 Notes

In June 2016, the Company issued \$300.0 in aggregate principal amount of 3.850% Senior Notes due June 15, 2026 (the “2026 Notes”) with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning December 15, 2016. As of March 28, 2019, the outstanding balance of the 2026 Notes was \$300.0 and the carrying value was \$297.6. The Company guarantees Spirit's obligations under the 2026 Notes on a senior unsecured basis.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

16. Pension and Other Post-Retirement Benefits

Components of Net Periodic Pension Expense/(Income)	Defined Benefit Plans	
	For the Three	
	Months Ended	
	March 28, 2019	March 29, 2018
Service cost	\$ 0.3	\$ 0.2
Interest cost	10.1	9.3
Expected return on plan assets	(16.7)	(17.5)
Amortization of net loss	0.4	—
Net periodic pension (income) expense	\$ (5.9)	\$ (8.0)

Components of Other Benefit Expense	Other Benefits	
	For the Three	
	Months Ended	
	March 28, 2019	March 29, 2018
Service cost	\$0.2	\$ 0.3
Interest cost	0.3	0.3
Amortization of prior service cost	(0.2)	(0.2)
Amortization of net gain	(0.6)	(0.6)
Net periodic other benefit (income) expense	\$(0.3)	\$(0.2)

Employer Contributions

The Company expects to contribute zero dollars to the U.S. qualified pension plan and a combined total of approximately \$7.0 for the Supplemental Executive Retirement Plan ("SERP") and post-retirement medical plans in 2019. The Company's projected contributions to the U.K. pension plan for 2019 are \$1.8. The entire amount contributed can vary based on exchange rate fluctuations.

17. Stock Compensation

The Company recognized a net total of \$7.7 and \$7.1 of stock compensation expense, for the three months ended March 28, 2019 and March 29, 2018, respectively.

During the three months ended March 28, 2019, 227,061 shares, 52,478 shares, and 71,920 shares of class A common stock (the "Common Stock") with aggregate grant date fair values of \$20.9, \$6.5 and \$6.5 were granted under the service-based, market-based, and performance based portions of the Company's LTIA's, respectively. Additionally, 323,856 shares of Common Stock with an aggregate grant date fair value of \$19.2 that were LTIA's vested during the three months ended March 28, 2019.

18. Income Taxes

The process for calculating the Company's income tax expense involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability. The total net deferred tax asset at

19

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

March 28, 2019, and December 31, 2018, was \$197.9 and \$204.2, respectively. The difference is primarily due to the creation of deductible temporary differences and utilization of taxable temporary differences within the current year.

The Company files income tax returns in all jurisdictions in which it operates. The Company establishes reserves to provide for additional income taxes that may be due upon audit. These reserves are established based on management's assessment as to the potential exposure attributable to permanent tax adjustments and associated interest. All tax reserves are analyzed quarterly and adjustments made as events occur that warrant modification.

In general, the Company records income tax expense each quarter based on its estimate as to the full year's effective tax rate. Certain items, however, are given discrete period treatment and the tax effects for such items are therefore reported in the quarter that an event arises. Events or items that may give rise to discrete recognition include excess tax benefits with respect to share-based compensation, finalizing amounts in income tax returns filed, finalizing audit examinations for open tax years and expiration of statutes of limitations and changes in tax law.

In January 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income ("Topic 220"); Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income ("AOCI"), which gives entities the option to reclassify to retained earnings the tax effects resulting from the Tax Cuts and Job Act that are stranded in AOCI. The adoption of this standard did not have a material effect to the Company's consolidated financial statements.

The 19.8% effective tax rate for the three months ended March 28, 2019 differs from the 18.0% effective tax rate for the same period of 2018 primarily due to higher tax effect of the Global Intangible Low-Taxed Income and decreased benefit for share based compensation excess tax benefit in the first quarter of 2019.

The Company will continue to participate in the Internal Revenue Service's Compliance Assurance Process ("CAP") program for its 2018 tax year. The CAP program's objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. There are no open audits in the Company's foreign jurisdictions.

19. Equity

Earnings per Share Calculation

Basic net income per share is computed using the weighted-average number of outstanding shares of common stock during the measurement period. Diluted net income per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential outstanding shares of common stock during the measurement period.

The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity. As of March 28, 2019, no treasury shares have been reissued or retired.

During the period ended March 28, 2019, the Company repurchased 0.8 million shares of its Common Stock for \$75.0. As a result, the total authorization amount remaining in the 2017 Share Repurchase Program is approximately \$925.0.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

The following table sets forth the computation of basic and diluted earnings per share:

	For the Three Months Ended			
	March 28, 2019		March 29, 2018	
	Income	Per Share	Income	Per Share
	Shares	Amount	Shares	Amount
Basic EPS				
Income available to common stockholders	\$ 163.0	104.0	\$ 125.3	112.9
Income allocated to participating securities	0.1	0.1	0.1	0.1
Net income	\$ 163.1		\$ 125.4	
Diluted potential common shares	1.2		1.1	
Diluted EPS				
Net income	\$ 163.1	105.3	\$ 125.4	114.1
		\$ 1.55		\$ 1.10

Included in the outstanding common shares were 1.4 million and 1.5 million of issued but unvested shares at March 28, 2019 and March 29, 2018, respectively, which are excluded from the basic EPS calculation.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	As of	As of
	March 28,	December 31,
	2019	2018
Pension ⁽¹⁾	\$ (128.4)	\$ (116.7)
SERP/Retiree medical ⁽¹⁾	20.3	17.2
Foreign currency impact on long term intercompany loan	(16.5)	(17.4)
Currency translation adjustment	(70.3)	(79.7)
Total accumulated other comprehensive loss	\$ (194.9)	\$ (196.6)

(1) March 28, 2019 balances include Pension and SERP/Retiree medical reclassifications to retained earnings of \$12.0 and (\$3.7), respectively, as a result of adopting ASU 2018-02. See Note 2, Adoption of New Accounting Standards.

20. Commitments, Contingencies and Guarantees**Litigation**

From time to time, the Company is subject to, and is presently involved in, litigation, legal proceedings, or other claims arising in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available, the Company believes that, on a basis of information presently available, none of these items, when finally resolved, will have a material adverse effect on the Company's long-term financial position or liquidity.

From time to time, in the ordinary course of business and similar to others in the industry, the Company receives requests for information from government agencies in connection with their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations. The Company reviews such requests and notices and takes appropriate action. Additionally, the Company is subject to federal and state requirements for protection of the environment, including those for disposal of hazardous waste and remediation of contaminated sites. As a result, the Company is required to participate in certain government investigations regarding environmental remediation actions.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Customer and Vendor Claims

From time to time the Company receives, or is subject to, customer and vendor claims arising in the ordinary course of business, including, but not limited to, those related to product quality and late delivery. The Company accrues for matters when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration multiple factors including without limitation our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of an unfavorable outcome, and the severity of any potential loss. Any accruals deemed necessary are reevaluated at least quarterly and updated as matters progress over time.

While the final outcome of these types of matters cannot be predicted with certainty, considering, among other things, the factual and legal defenses available, it is the opinion of the Company that, when finally resolved, no current claims will have a material adverse effect on the Company's long-term financial position or liquidity. However, it is possible that the Company's results of operations in a period could be materially affected by one or more of these other matters.

Guarantees

Outstanding guarantees were \$27.3 at both March 28, 2019 and December 31, 2018.

Restricted Cash - Collateral Requirements

The Company was required to maintain \$16.3 and \$20.2 of restricted cash as of March 28, 2019 and December 31, 2018, respectively, related to certain collateral requirements for obligations under its workers' compensation programs. The restricted cash is included in "Other assets" in the Company's Condensed Consolidated Balance Sheets.

Indemnification

The Company has entered into customary indemnification agreements with its non-employee directors, and some of its executive employment agreements include indemnification provisions. Under those agreements, the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual's service as the Company's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

The Company has agreed to indemnify parties for specified liabilities incurred, or that may be incurred, in connection with transactions they have entered into with the Company. The Company is unable to assess the potential number of future claims that may be asserted under these indemnities, nor the amounts thereof (if any). As a result, the Company cannot estimate the maximum potential amount of future payments under these indemnities and therefore, no liability has been recorded.

Service and Product Warranties and Extraordinary Rework

Provisions for estimated expenses related to service and product warranties and certain extraordinary rework are evaluated on a quarterly basis. These costs are accrued and are recorded to unallocated cost of goods sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims, including the experience of industry peers. In the case of new development products or new customers, Spirit considers other factors including the experience of other entities in the same business and management judgment,

among others. Service warranty and extraordinary rework is reported in current liabilities and other liabilities on the balance sheet.

The warranty balance presented in the table below includes unresolved warranty claims that are in dispute in regards to their value as well as their contractual liability. The Company estimated the total costs related to some of these claims, however, there is significant uncertainty surrounding the disposition of these disputed claims and as such, the ultimate determination of the provision's adequacy requires significant management judgment. The amount of the specific provisions recorded against disputed warranty claims was \$8.0 and \$41.0 as of March 28, 2019, and December 31, 2018, respectively. These specific provisions represent the Company's best estimate of probable warranty claims. Should the Company incur higher than expected warranty costs and/or discover new or additional information related to these warranty provisions, the Company may incur additional charges that exceed these recorded provisions. The Company utilized available information to make appropriate assessments, however, the Company recognizes that data on actual claims experience is of limited duration and therefore, claims projections are subject to significant judgment. The amount of the reasonably possible disputed warranty claims in excess of the specific warranty provision was \$12.0 as of March 28, 2019, and \$34.0 as of December 31, 2018.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

The following is a roll forward of the service warranty and extraordinary rework balance at March 28, 2019:

Balance, December 31, 2018	\$ 104.8
Charges to costs and expenses	(7.9)
Payouts	(0.2)
Impact of TGI Settlement ⁽¹⁾	(25.0)
Exchange rate	0.3
Balance, March 28, 2019	\$ 72.0

(1) Due to a settlement on outstanding warranty issues in the first quarter of 2019 \$25.0 of warranty provision was reclassified to accounts payable and is scheduled to be paid in the second quarter of 2019.

21. Other (Expense) Income, Net

Other (expense) income, net is summarized as follows:

	For the Three Months Ended	
	March 28, 2019	March 29, 2018
Kansas Development Finance Authority bond	\$ 1.2	\$ 1.2
Rental and miscellaneous income	0.1	0.1
Interest income	3.2	1.2
Foreign currency losses	(2.0)	(3.1)
Loss on foreign currency contract, net of settlement	(15.4)	—
Loss on sale of accounts receivable	(4.6)	(3.7)
Pension Income	6.5	8.4
Total	\$ (11.0)	\$ 4.1

Foreign currency losses are due to the impact of movement in foreign currency exchange rates on an intercompany revolver and long-term contractual rights/obligations, as well as trade and intercompany receivables/payables that are denominated in a currency other than the entity's functional currency.

22. Segment Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems, and Wing Systems. Revenue from Boeing represents a substantial portion of the Company's revenues in all segments. Wing Systems also includes significant revenues from Airbus. Approximately 95% of the Company's net revenues for the three months ended March 28, 2019, came from the Company's two largest customers, Boeing and Airbus. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services, tooling contracts and sales of natural gas through a tenancy-in-common with other companies that have operations in Wichita, Kansas. The Company's primary profitability measure to review a segment's operating performance is segment operating income before corporate selling, general and administrative expenses, research and development, and unallocated cost of

sales.

Corporate selling, general and administrative expenses include centralized functions such as accounting, treasury, and human resources that are not specifically related to the Company's operating segments and are not allocated in measuring the operating segments' profitability and performance and net profit margins. Research and development includes research and development efforts that benefit the Company as a whole and are not unique to a specific segment. Unallocated cost of sales includes general costs not directly attributable to segment operations, such as warranty, early retirement and other incentives. All of these items

23

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

are not specifically related to the Company's operating segments and are not utilized in measuring the operating segments' profitability and performance.

The Company's Fuselage Systems segment includes development, production, and marketing of forward, mid and rear fuselage sections and systems, primarily to aircraft OEMs (OEM refers to aircraft original equipment manufacturer), as well as related spares and maintenance, repairs and overhaul ("MRO") services. The Fuselage Systems segment manufactures products at the Company's facilities in Wichita, Kansas and Kinston, North Carolina. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

The Company's Propulsion Systems segment includes development, production and marketing of struts/pylons, nacelles (including thrust reversers), and related engine structural components primarily to aircraft or engine OEMs, as well as related spares and MRO services. The Propulsion Systems segment manufactures products at the Company's facility in Wichita, Kansas.

The Company's Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces), and other miscellaneous structural parts primarily to aircraft OEMs, as well as related spares and MRO services. These activities take place at the Company's facilities in Tulsa and McAlester, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; and Subang, Malaysia.

The Company's segments are consistent with the organization and responsibilities of management reporting to the chief operating decision-maker for the purpose of assessing performance. The Company's definition of segment operating income differs from net profit margin as presented in its primary financial statements and a reconciliation of the segment and consolidated results is provided in the table set forth below.

While some working capital accounts are maintained on a segment basis, much of the Company's assets are not managed or maintained on a segment basis. Property, plant and equipment, including tooling, is used in the design and production of products for each of the segments and, therefore, is not allocated to any individual segment. In addition, cash, prepaid expenses, other assets and deferred taxes are managed and maintained on a consolidated basis and generally do not pertain to any particular segment. Raw materials and certain component parts are used in aerospace production across all segments. Work-in-process inventory is identifiable by segment, but is managed and evaluated at the program level. As there is no segmentation of the Company's productive assets, depreciation expense (included in fixed manufacturing costs and selling, general and administrative expenses) and capital expenditures, no allocation of these amounts has been made solely for purposes of segment disclosure requirements.

The following table shows segment revenues and operating income for the three months ended March 28, 2019 and March 29, 2018:

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

	Three Months Ended	
	March 28, 2019	March 29, 2018
Segment Revenues		
Fuselage Systems	\$1,069.6	\$962.7
Propulsion Systems	485.7	394.5
Wing Systems	407.9	377.0
All Other	4.6	1.9
	\$1,967.8	\$1,736.1
Segment Operating Income (Loss)		
Fuselage Systems	\$138.9	\$119.7
Propulsion Systems	95.5	52.9
Wing Systems	65.8	50.8
All Other	1.2	(1.0)
	301.4	222.4
SG&A	(63.6)	(56.2)
Research and development	(12.9)	(9.4)
Unallocated cost of sales	8.1	2.7
Total operating income	\$233.0	\$159.5

23. Asco Acquisition

On May 1, 2018, the Company and its wholly-owned subsidiary Spirit Belgium entered into the Purchase Agreement pursuant to which Spirit Belgium will purchase all of the issued and outstanding equity of Asco, a leading supplier of high lift wing structures, mechanical assemblies and major functional components to major OEMs and Tier I suppliers in the global commercial aerospace and military markets, for the translated amount of \$604.0 in cash, subject to certain customary closing adjustments, including foreign currency adjustments. The definitive agreement is subject to customary closing conditions, including regulatory approvals and customer consents.

Acquisition-related expenses were \$2.8 for the three months ended March 28, 2019 and are included in selling, general and administrative costs on the condensed and consolidated statements of operations.

24. Condensed Consolidating Financial Information

The Floating Rate Notes, 2023 Notes, 2026 Notes, and 2028 Notes (collectively, the "Notes") are fully and unconditionally guaranteed on a senior unsecured basis by Holdings. No subsidiaries are guarantors to any of the Notes.

The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated under the Securities Act, presents the condensed consolidating financial information separately for:

- (i) Holdings, as the parent guarantor of the Notes, as further detailed in Note 15, Debt;
- (ii) Spirit, as issuer of the Notes;
- (iii) The Company's subsidiaries (the "Non-Guarantor Subsidiaries"), on a combined basis;
Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions
- (iv) between or among Holdings and the Non-Guarantor Subsidiaries, (b) eliminate the investments in the Company's subsidiaries, and (c) record consolidating entries; and
- (v) Holdings and its subsidiaries on a consolidated basis.

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Statements of Operations

For the Three Months Ended March 28, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$—	\$1,765.2	\$ 373.2	\$ (170.6)	\$1,967.8
Operating costs and expenses					
Cost of sales	—	1,500.3	328.6	(170.6)	1,658.3
Selling, general and administrative	2.3	56.5	4.8	—	63.6
Research and development	—	11.4	1.5	—	12.9
Total operating costs and expenses	2.3	1,568.2	334.9	(170.6)	1,734.8
Operating (loss) income	(2.3)	197.0	38.3	—	233.0
Interest expense and financing fee amortization	—	(18.8)	(1.0)	1.0	(18.8)
Other income (expense), net	—	(8.4)	(1.6)	(1.0)	(11.0)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(2.3)	169.8	35.7	—	203.2
Income tax benefit (provision)	0.5	(34.7)	(5.9)	—	(40.1)
(Loss) income before equity in net income of affiliate and subsidiaries	(1.8)	135.1	29.8	—	163.1
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	164.9	29.8	—	(194.7)	—
Net income	163.1	164.9	29.8	(194.7)	163.1
Other comprehensive (loss) income	10.0	10.0	10.4	(20.4)	10.0
Comprehensive income (loss)	\$ 173.1	\$ 174.9	\$ 40.2	\$ (215.1)	\$ 173.1

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Statements of Operations

For the Three Months Ended March 29, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$—	\$ 1,541.0	\$ 369.7	\$ (174.6)	\$ 1,736.1
Operating costs and expenses					
Cost of sales	—	1,351.6	334.0	(174.6)	1,511.0
Selling, general and administrative	2.4	48.1	5.7	—	56.2
Research and development	—	8.6	0.8	—	9.4
Total operating costs and expenses	2.4	1,408.3	340.5	(174.6)	1,576.6
Operating (loss) income	(2.4)	132.7	29.2	—	159.5
Interest expense and financing fee amortization	—	(11.3)	(1.2)	1.2	(11.3)
Other income (expense), net	—	9.9	(4.6)	(1.2)	4.1
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(2.4)	131.3	23.4	—	152.3
Income tax benefit (provision)	0.4	(23.7)	(4.2)	—	(27.5)
(Loss) income before equity in net income of affiliate and subsidiaries	(2.0)	107.6	19.2	—	124.8
Equity in net income of affiliate	0.6	—	0.6	(0.6)	0.6
Equity in net income of subsidiaries	126.8	19.2	—	(146.0)	—
Net income	125.4	126.8	19.8	(146.6)	125.4
Other comprehensive (loss) income	14.6	14.6	15.1	(29.7)	14.6
Comprehensive income (loss)	\$ 140.0	\$ 141.4	\$ 34.9	\$ (176.3)	\$ 140.0

Table of Contents

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Balance Sheet

March 28, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$—	\$1,160.9	\$ 67.5	\$ —	\$1,228.4
Restricted cash	—	0.3	—	—	0.3
Accounts receivable, net	—	619.3	347.3	(347.7)	618.9
Contract assets, short-term	—	507.0	49.9	—	556.9
Inventory, net	—	676.8	314.8	—	991.6
Other current assets	—	28.9	2.4	—	31.3
Total current assets	—	2,993.2	781.9	(347.7)	3,427.4
Property, plant and equipment, net	—	1,686.4	497.3	—	2,183.7
Right of Use assets	—	44.0	7.3	—	51.3
Contract assets, long-term	—	14.6	10.7	—	25.3
Pension assets, net	—	313.4	20.5	—	333.9
Investment in subsidiary	1,321.1	739.2	—	(2,060.3)	—
Other assets	—	344.9	124.9	(193.7)	276.1
Total assets	\$1,321.1	\$6,135.7	\$ 1,442.6	\$ (2,601.7)	\$6,297.7
Liabilities					
Accounts payable	\$—	\$1,002.2	\$ 418.5	\$ (347.9)	\$1,072.8
Accrued expenses	—	292.0	36.7	0.3	329.0
Profit sharing	—	18.4	2.0	—	20.4
Current portion of long-term debt	—	31.5	0.9	—	32.4
Operating lease liabilities, short-term	—	5.0	0.6	—	5.6
Advance payments, short-term	—	19.8	—	—	19.8
Contract liabilities, short-term	—	148.3	0.6	—	148.9